



CALIFORNIA

COMMISSION
ON BUILDING
FOR THE

21st

CENTURY

LETTER OF TRANSMITTAL
COMMISSION ON BUILDING FOR THE 21ST CENTURY

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When this report was sent to print in early September 2001, the national economy was slowing. While consumer confidence remained high, business spending decreased. The historic growth in the hi-tech industry slowed substantially. Then came a day no one expected: September 11, 2001. Terrorist attacks left over three thousand people dead in New York City, Washington D.C. and Pennsylvania – all victims of four hijacked airplanes that were bound for California.

We, as a nation united, mourned for our loss and sought to help the victims' families. We also stepped up our security in the face of unprecedented threats. In California, the Highway Patrol (CHP) increased its surveillance of the State's vital infrastructure: our bridges, waterways, power grid, major energy plants and public facilities. The CHP increased its patrols at commercial vehicle inspection facilities and border entry points. Governor Gray Davis deployed the California National Guard at California's airports. CHP and many local police officers worked 12-hour shifts in the weeks following the attacks.

In the wake of the terrorist attacks, our national and State recession deepened. The travel and tourism industries were especially hard hit. Across the nation, business revenues declined in many sectors, leading to revenue shortfalls in local, state, and federal governments. Thousands of people lost their jobs.

The recession left California with a projected budget shortfall in 2002 in excess of \$12 billion. Governor Davis made tough choices to balance the budget, cutting state spending in November 2001, and recommending reduced spending in 2002.

As part of the proposed 2002-03 Budget, Governor Davis requested that the Commission on Building for the 21st Century ("Infrastructure Commission") review its recommendations in light of the State's changed economic circumstances. What did we conclude from this review? We confirmed that our basic premises – looking beyond this short-term economic downturn – remain fundamentally correct.

In developing this report, the Infrastructure Commission examined the State's needs over the next 20 years in eight categories: educational facilities, energy, housing, land use, public facilities, technology, transportation and water. The Commission examined California's recent progress in improving those facilities, and recommended policies to close the gap between need and investment. As California begins the next phase of work and prepares recommendations for capital spending during the next five years, the economic boost and physical improvements reaped from recent infrastructure investments provide a model worth noting.

Significant new programs approved between 1999-2001 in transportation, energy, housing, parks and water systems and school facilities are creating jobs now. The leadership of Governor Davis and the California Legislature in enacting these programs not only helped close the historic infrastructure gap borne out of years of under investment, but also helped to blunt the recession. Governor Davis pursued a model for long-term planning and investment, committing to build and save in times of surplus.

In 2000, Governor Davis and the Legislature, for example, allocated \$6.8 billion in General Fund surplus to transportation, through the Transportation Congestion Relief Program and Transportation Investment Fund, over and above the growing federal and state programs that are funded from our gas tax. Many of these transportation projects are being completed two to four years ahead of schedule because of innovative partnerships the Davis Administration entered into between the government agencies and stakeholders to accelerate the process. As a result of these investments and the focus on fast delivery, California will have a record \$6.4 billion worth of transportation projects underway in 2002, helping to drive the economy by creating approximately 156,000 jobs and nearly \$17 billion in economic stimulus.

Further, to make quality housing more available and affordable, Governor Davis allocated over \$450 million in additional housing dollars in 2000. In 2001, the State of California made more than 900 housing loan and grant awards, totaling over \$390 million for housing and community development projects. This is the largest annual investment ever made for housing in the State's history, creating more than 16,200 housing units. The Davis Administration's Housing initiative will add an estimated 105,000 full time jobs, \$3.4 billion in wages and \$1.7 billion in combined federal, state and local revenues to our economy through 2003.

Concurrently, the State government worked in concert with local school boards to quickly invest \$9.2 billion from a school bond passed in 1998 to construct and rehabilitate schools and classrooms. This increased opportunities for our children and for workers who completed the projects. Californians facilitated future investment in our children by passing a ballot measure in 2000 to lower the approval threshold for school bonds to 55 percent.

Californians passed the largest parks and water bonds initiative, \$4 billion, in our nation's history.

Californians also worked together to conserve unprecedented levels of energy in 2001, while the Davis Administration accelerated the construction of new power facilities and negotiated long-term contracts. Combined, these policies stabilized energy prices and kept the lights on at a time when experts predicted blackouts.

These recent commitments demonstrate that California has begun to turn the tide of the state's historical infrastructure deficit. However, that long-standing gap cannot be closed quickly. Our challenge is to maintain that momentum, to recognize that these investments help our economy and society, in the short and long run, to make such leadership the norm, rather than an historic breakthrough.

This report recommends several ways to accomplish these objectives. It discusses policy approaches that reflect an integrated view of infrastructure. For example, housing should be energy-efficient, affordable and close to mass transportation. Transportation planning and funding should take into account housing needs. Our thinking must be as integrated as our lives.

The report suggests fiscal tools, such as bond measures to provide funds for safe and affordable housing and high-quality schools for our children. It advocates more energy independence, through construction, conservation and a commitment to generate 25 percent of our energy from renewable sources. It discusses methods to improve the quality of our lives, make better use of our assets and provide equal access to opportunity.

As one significant step, the report recommends that a California Infrastructure Public-Private Partnership be formed to examine this report's recommendations, and analyze strategies for infrastructure development. Their work should include, among other things, an examination of security needs and how to finance them. Ensuring our vital assets' security in their design, building and maintenance must be a paramount concern, as the events of September 11, 2001, illustrated dramatically.

Whether in good economic times or bad, these issues merit our attention. We must continue our efforts to meet our long-term needs. As Governor Davis said, "It is our duty, quite simply, to leave California a better place than we found it."

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Business, Transportation and Housing Agency
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The Honorable Cruz M. Bustamante
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